Revised Illustrative Scenario

At the March 2014 meeting, staff presented a scenario for freight governance in northeastern Illinois. That scenario was purely illustrative and designed to stimulate the Task Force's conversation; it did not represent an official staff recommendation to the Task Force. The Task Force provided feedback on that initial scenario, and those revisions and comments have been incorporated into the revised scenario presented in this document. In April 2014, the Task Force will consider this updated scenario and present further edits to be included in the draft report in May 2014.

Specifically, the Task Force will be asked to consider each of the scenario's three main components. The first component is to develop a comprehensive, multimodal freight plan for the region and the second is to secure new funding from user fees. The third component combines the first two, harnessing the new revenues to build projects and fund operational programs identified in the regional freight plan. The following outline describes each of these components in more detail.

Robust Freight Planning

Working with relevant stakeholders on its Freight Committee, CMAP will develop an official freight element as a component of the long-range transportation plan (LRTP, currently GO TO 2040). Prior to this effort, CMAP will evaluate and make changes to the membership of the Freight Committee to ensure appropriate representation and input throughout the planning process. CMAP's Transportation Committee, which has broader responsibilities over the flow of federal funds in the region, will remain engaged in the freight planning process. CMAP is required to develop and update the LRTP according to federal and state law, and it is likely that the next LRTP would be completed in 2018.

The freight element will include specific and reasonable lists of prioritized capital projects and operational programs, as well as a financial plan. The financial plan will include estimated costs for the recommended projects and programs, as well as potential funding sources for each. It will recommend new revenue sources (see Section 2 below) to cover these costs, and also identify projects and programs with the potential to be self-supporting through user fees. Part of this planning process should include deliberation by stakeholders over the governance and oversight of any new revenue sources. In addition to identifying capital projects and operational programs, the freight element will also comment on broader freight policy topics.

This planning effort will be multimodal:

 On the trucking side, CMAP will identify locations with inadequate geometric standards, existing or projected capacity constraints, serious grade conflicts, and inadequate connections to other modes. CMAP will also identify discontinuities in regional truck routes and municipal regulations, and identify necessary capital improvements to close gaps in the regional trucking network. The freight element will

- explore other operational improvements such as centralized truck permitting for local governments, off-hours delivery pilot programs, and other delivery management systems.
- On the rail side, CMAP will convene a regional conversation to critically evaluate the progress of the CREATE program and its long-term funding plan. Over ten years old, the CREATE program seeks to improve the efficiency of the regional rail system by removing conflicts between passenger and freight trains, as well as between rail and highway. This regional conversation will review CREATE's funding status and identify the next phase of rail improvements in the region.

Funding Sources

To implement the projects identified in the freight element of the regional transportation plan, a new "Metropolitan Chicago Freight Fund" will be established and capitalized with user fees. While this scenario does not specify the source of these user fees, it does require that they be considered fair and equitable by stakeholders. Where possible, the user fees should be varied to reflect demand for a facility and levied proportional to use of the transportation system. Doing so will help to manage demand and ensure better productivity out of transportation facilities.

The following table summarizes the potential revenue yield for a variety of potential freight-related fees levied at the state scale. Note that Table 1 includes a mixture of both broad-based and project-specific revenue sources. Project-specific sources may not be appropriate to fund the Metropolitan Chicago Freight Fund directly, although they can help support individual projects and potentially free up other revenue sources to be directed to the Metropolitan Chicago Freight Fund.

The following discussion reviews each source in more detail.

Table 1. Menu of Potential Broad-Based Revenue Sources

	Revenue Source	Estimated Annual	Description
		Revenues	Assumes congestion pricing of 25% of regional
	Tolling	\$352 million	expressway network in 2015
	Existing truck registration		2012 data, includes trailer, semi, and IRP registration
	fees	\$146.7 million	fees
	Enhanced truck registration		2012 data, 10 percent increase
Traditional user	fees	\$14.7 million	to existing registration fees
fees	Existing diesel tax	\$32.3 million	2013 data, includes diesel differential only
	Enhanced diesel tax	\$12.9 million	2013 data, assumes 1 cent- per-gallon increase
Long-term			2012 data, 0.5 cent/mile, non-
alternative user	VMT fee	\$47.2 million	passenger travel only
fees	Alternative fuel taxes and	N/A	See discussion in

	fees		accompanying text
			See discussion in
	Ton-mile tax	N/A	accompanying text
			See discussion in
	Bill of lading fee	N/A	accompanying text
Other user fees			2012 data, \$22.58 per
			container, intermodal lifts
	Container fee	\$350 million	only
			See discussion in
	Special taxing districts	N/A	accompanying text

Source: CMAP staff analysis

Tolling

The Illinois Tollway relies on toll revenues to maintain a system of tolled expressways and construct additional capacity such as new lanes, new or expanded interchanges, and entirely new tolled expressways. While these facilities are often important trucking corridors and trucks pay higher toll rates than passenger cars, tolling is not a "freight revenue source" per se in this context.

However, the broader application of tolling could promote dedicated revenue sources for freight improvements in an indirect way. Tolling the entire expressway network would generate significant revenues and allow the expressway system to be self-supporting. As such, some 255 centerline miles¹ of expressways would no longer need to be maintained from IDOT's existing funding streams. And with reduced funding commitments, a portion of the Department's existing revenue streams (e.g., diesel taxes and truck registration fees) could be directed to a new freight fund.

CMAP estimates that tolling and congestion pricing 25 percent of the existing expressway network in northeastern Illinois would generate \$352 million in 2015.² In contrast, IDOT has programmed an annual average of just under \$225 million on Chicago-area interstate projects in recent years,³ and has planned over \$190 million for such projects in 2014.⁴ Statewide, the "diesel differential" and truck registration fees (see discussion on next page) have recently generated \$32.3 million and \$146.7 million, respectively, in annual revenues. Further, CMAP estimates that the full diesel tax has generated between \$200 million and \$400 million annually since the mid-1990s. Given their nexus to goods movement, all or a portion of those funds could be directed to the Metropolitan Chicago Freight Fund with no net loss to transportation investment in the state.⁵

¹ IDOT, Illinois Highway and Street Mileage Statistics 2012, Table HS-4. http://www.dot.state.il.us/travelstats/2012 ILHS.pdf.

² In estimated 2015 dollars. CMAP staff analysis.

³ CMAP staff analysis of IDOT "For the Record" publications, FY 2009-2013.

⁴ CMAP staff analysis of IDOT Highway Improvement Programs and IDOT Multimodal Transportation Improvement Program 2014-2019.

⁵ For example, a portion of diesel and/or truck registration revenues raised from the 7-county northeastern Illinois region could be directed to the Metropolitan Chicago Freight Fund. Data limitations prevent a full estimate of diesel

Truck registration fees

State truck fees vary depending on weight; as examples, trucks weighing between 50,001 and 54,999 pounds pay \$1,942 and trucks weighing between 77,001 and 80,000 pounds pay \$3,191.6 Further, the State charges a trailer fee and a commercial distribution fee, along with special fees (e.g., heavy vehicle use tax, special hauling vehicle permit). CMAP staff identified trailers and semis, along with International Registration Plan (IRP) revenues,⁷ as the vehicle registration classes most relevant to goods movement. Revenues from these classes of vehicles totaled \$146.7 million in 2012.

Revenue Enhancement: Rather than estimating an across-the-board surcharge applied to all freight vehicles, the revenue enhancement assumes a 10-percent increase in current rates. Such an enhancement would have yielded \$14.7 million in 2012.

Diesel taxes

The State of Illinois imposes a motor fuel tax (MFT) of 19 cents per gallon. It also levies an additional 2.5-cents-per-gallon fee for diesel, bringing the total diesel rate to 21.5 cents per gallon. CMAP staff estimates that \$278 million were raised from diesel taxes in Illinois in 2013, declining from an estimated yield of \$356 million in 2012. The 2.5 cents-per-gallon "diesel differential" raised \$32.3 million in 2013, down from \$41.4 million in 2012.

The revenue estimate reported in Table 1 for existing diesel taxes reflects this "diesel differential" only. From a practical perspective, it is unlikely that all diesel receipts – which generally range from 20 to 30 percent of gross motor fuel tax revenues statewide – could be directed to freight improvements. Further, non-freight vehicles pay also diesel taxes, so it may not be appropriate to direct all diesel revenues to freight needs.

Revenue Enhancement: CMAP staff estimates that nearly 1.3 billion gallons of diesel were sold in Illinois in 2013. Based on that level of fuel consumption, a one cent-per-gallon increase in the existing state diesel tax would yield \$12.9 million annually.

Vehicle-miles traveled fee

A vehicle-miles traveled (VMT) fee has been proposed for vehicles of all types because increasing fuel efficiencies and the growth of alternative fuels have placed the traditional fuel tax at a long term disadvantage. A VMT fee would charge drivers on a per-mile basis, rather than a per-gallon basis, and could be initially implemented for trucks. In fact, VMT fee programs for commercial vehicles are already in place in Germany and New Zealand.⁸ In recent years, numerous studies have been conducted in the United States, and in 2013 Oregon

revenues raised from the metropolitan Chicago region, but \$57.6 million were raised from the region in trailer, semi, and IRP registration fees in 2012.

⁶ Illinois Secretary of State, Flat Weight Trucks,

http://www.cyberdriveillinois.com/departments/vehicles/cft/fees.html#truck.

⁷ IRP is a reciprocity agreement across U.S. states and Canadian provinces to allocate truck registration fees for vehicles that operate across state and provincial borders.

⁸ Government Accountability Office, 2012. Highway Trust Fund: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles. GAO-13-77, http://www.gao.gov/products/GAO-13-77.

became the first state to enact a VMT fee.⁹ Although VMT fees are commonly considered a long-term solution to the decline of fuel taxes, technological barriers and privacy concerns must be fully addressed.

CMAP estimates that a total of 104.5 billion VMT statewide for passenger vehicles and 9.4 billion VMT statewide for non-passenger vehicles in 2012. The Government Accountability Office assumed that a potential passenger vehicle VMT rate of 0.9 cents per mile and a potential non-passenger VMT rate of 3.2 cents per mile would replace existing federal fuel tax receipts.¹⁰ Using a lower rate of 0.05 cents per mile for non-passenger vehicles only, a statewide VMT fee would have raised \$47.2 million in 2012.

Alternative fuels and vehicle technologies

Levied on a per-gallon basis, the typical of the fuel taxes leaves them vulnerable to inflation and rising fuel economy. Increasing numbers of alternative fuel vehicles may further erode fuel tax receipts. Flat vehicle registration fees also lose purchasing power to inflation over time.

These limitations have raised interest in taxing alternative fuels and alternative vehicle technologies to ensure that users of such systems pay a fair share into the maintenance of the transportation system. Data limitations prevent analyzing the use of alternative fuels and vehicle technologies by the freight system. However, past CMAP analysis of a proposed bill in the Illinois General Assembly can help to provide some frame of reference.¹¹

Proposed in May 2013, HB 3637 would increase registration fees for electric vehicles from the current \$35 every two years to \$222 every year. It would also end the gasohol tax incentive, which exempts a portion of gasohol fuel sales from the state sales tax, on December 31, 2013 rather than the current December 31, 2018, and dedicate the proceeds from 1 percentage point of the state sales tax on gasohol sales to a new transportation fund. CMAP estimates net revenue increases of \$0.1 million from the increased electric vehicle fees and \$125 million from the gasohol exemption.

Ton-mile tax

A ton-mile tax, also called a weight-mile tax, charges trucks based on their weight and distance traveled, with heavier vehicles and vehicles traveling greater distances charged at a higher rate.¹² Ton-mile taxes have the advantage of more effectively charging vehicles for the damage they impose on pavements, but may require additional reporting and higher administrative costs than traditional transportation user fees. Four states impose ton-mile taxes. According to a review published by the Iowa Department of Transportation, Kentucky collected about \$70.4 million in its weight-mile tax in 2010, New Mexico collected \$88.4 million in 2007, New York

http://www.odot.state.or.us/forms/motcarr/reg/9928.pdf.

⁹ CMAP, Legislation Would Establish VMT Fee Pilot Program, December 6, 2013, http://tinyurl.com/p5pake9.

¹⁰ Government Accountability Office, 2012. Highway Trust Fund: Pilot Program Could Help Determine the Viability of Mileage Fees for Certain Vehicles. GAO-13-77, http://www.gao.gov/products/GAO-13-77.

¹¹ CMAP, Transportation Funding Bill Introduced in General Assembly, June 14, 2013. http://tinyurl.com/k6zr8qi.

¹² See Oregon Department of Transportation rates as an example:

collected \$81 million in its 2008-2009 fiscal year, and Oregon assumed \$630 million in collections between 2009-2011. ¹³

Bill of lading fee

Also referred to as a "waybill tax" or "waybill fee", the bill of lading fee operates as a tax on the cost of transportation service. In a sense, it is analogous to a sales tax on freight transportation transactions. This approach has been criticized as a weak user fee for two main reasons. First, the cost of transportation services is not directly tied to use of a transportation facility, but instead reflects other factors such as speed and reliability of deliveries. Second, many freight shipments are completed by private fleets; for these shipments, no bill of lading is created, and so no fee would be paid.

No revenue estimate is available for this revenue source due to data limitations.

Container fee

Container fees have been implemented in port regions as a user fee on containers. Some projects, notably the Alameda Corridor, have levied per-container fees to recover costs, but in those cases the fee is more properly described as a toll for use of a specific facility rather than a tax.

Besides technical feasibility issues, assessing fees at intermediate locations between the port and the destination of cargo may be a violation of international trade agreements, since a user fee that does not cover the cost of handling the cargo at the point of entry could be considered a trade tariff.

CMAP collects data on intermodal lifts, which occur when shipping containers are transferred across modes, and converts those lifts to a proxy measure for containers moved through the region. Using that process, staff estimates the region moved 15.6 million twenty-foot equivalent units (TEUs)¹⁵ in 2012. As of January 1, 2014, the Alameda Corridor project applied a container fee of \$22.58 per loaded container;¹⁶ applying that same rate to the number of TEUs in the Chicago region would yield over \$350 million annually in revenue.

"Wheelage charges" are a similar type of fee that have been levied on rail carriers in some cases. For example, the Kansas City-area rail flyovers have relied on wheelage charges to help repay construction bonds.17

Special taxing districts

Special taxing districts offer an opportunity for funding specific transportation facilities. Although special taxing districts are unlikely to fund the entirety of the cost of a major

¹³ "Summary of State Use of Weight-Distance Tax", June 24, 2011, http://tinyurl.com/8w65m6m.

¹⁴ National Cooperative Freight Research Program, 2012. Dedicated Revenue Mechanisms for Freight Transportation Investment. Report 15. http://onlinepubs.trb.org/onlinepubs/ncfrp/ncfrp rpt 015.pdf.

¹⁵ A standard type of shipping container.

¹⁶ Alameda Corridor Transportation Authority, Schedule of Use Fees and Container Charges, Effective January 1, 2014, www.acta.org/gen/charge_per_teu_2014.pdf.

¹⁷ The "Regional Freight Governance Case Studies" paper from the November 2013 meeting of the Task Force provides more detail on these examples.

transportation project, they can provide a local match for federal grants, serve as leverage for federal financing instruments, or fund local improvements like stations and interchanges.

- Tax Increment Finance (TIF) districts utilize taxes on the incremental increase in property value to fund defined expenses related to redevelopment of areas that meet blight criteria and would experience growth and development but for public investment.¹⁸
- Special Service Areas (SSAs) utilize an added property tax to fund services or infrastructure that benefits the property owners within a defined geographic area.¹⁹
- Special freight districts have been proposed but not implemented in Illinois. A 2011 proposal would have established an "Illinois Transportation District Authority" in western Will County. This authority would have been responsible for regulating and maintaining various local roads, and empowered to levy a commercial vehicle user fee to fund its operations and capital improvements. This fee would have been assessed on a vehicle's entering or leaving the district, graduated by vehicle weight, and subject to statutory caps in its rates.

TIF and SSA districts can also be used to support value capture, a tool to provide local contributions toward the cost of a new facility. Value capture assumes that nearby property owners will benefit from the construction of a new facility through increased land values, and "captures" some portion of these benefits to pay for the cost of the facility. For example, improved public infrastructure, such as highway-rail grade separations and truck-appropriate geometrics and pavements, could increase property values in industrial districts. A new freight facility could lead to increased land value through the development or redevelopment of vacant or underperforming land into manufacturing, warehousing, and other facilities. Additionally, a freight improvement could reduce congestion, noise, and other community impacts, helping to raise the value of neighboring properties.

Perspectives from CMAP staff

CMAP staff supports tolling as a sustainable, effective policy to raise revenue and manage the transportation system. While staff recognizes near-term legal and political barriers to the expansion of tolling (e.g., the federal restriction on tolling currently-unpriced Interstate facilities), it is important to maintain an aspirational view of the future transportation system. Staff recognizes that the expansion of tolling will occur incrementally in practice, but feels it is important to call for the broader implementation of tolling in the long term.

Tolling is a pure user fee: only those who use a tolled facility pay for its construction and upkeep and the amounts paid are proportional to usage. Further, the network of toll highways is self-supporting, which is a critical in an era of declining resources for the transportation system. Tolling is immune to the weaknesses of other transportation revenue sources (improving fuel economy, increasing use of alternative fuel vehicles, technological barriers to

^{18 65} ILCS 5/11-74.4-1

^{19 35} ILCS 200/27

implementation) and, if indexed to inflation, promises to be a reliable revenue source in the long term.

Further, tolling allows for other policy options. Namely, it can support the better management of existing assets through congestion pricing. Congestion pricing seeks to maximize the productivity of the transportation system by better managing demand for travel, especially during peak periods.

Additionally, the broad application of tolling could allow lower toll rates than those currently implemented in the region. Alternatively, current rates could be retained, and a portion of the excess revenues could be used to support transit, ridesharing, bicycle, and pedestrian travel alternatives in priced corridors. Toll revenues could potentially be permitted to develop ancillary freight facilities as well, such as truck parking facilities. And as described previously, an expansion of tolling could free up resources to be directed to a new Metropolitan Chicago Freight Fund.

As the Task Force continues to consider potential revenue sources to support freight improvements, CMAP staff encourages members to consider the benefits of tolling, particularly as a long-term regional priority.

Institutional Organization

Consistent with GO TO 2040, this scenario relies on existing units of government to improve freight planning and programming in the region. In this scenario, implementing agencies would be responsible for managing project-specific revenue sources. Additionally, an existing agency such as IDOT could take on a centralized truck permitting system, providing a clearinghouse for local oversized/overweight truck permits and remitting revenues back to local governments.

Also in this scenario, CMAP would be responsible for prioritizing and selecting funds from the new Metropolitan Chicago Freight Fund (see below). As described in the "Robust Freight Planning" section, it is important to determine the governance and oversight of a Metropolitan Chicago Freight Fund through the regional freight planning process. Doing so involves multiple stakeholders and promotes highest standards for transparency and accountability. The discussion below is an illustrative example of how a Metropolitan Chicago Freight Fund could be implemented through CMAP.

Metropolitan Chicago Freight Fund

CMAP's programming process for a Metropolitan Chicago Freight Fund could be similar to its current approach to administering the Congestion Mitigation and Air Quality Improvement Program (CMAQ) and Transportation Alternatives Program (TAP). For both programs, CMAP sets evaluation criteria and evaluates proposals submitted through a call for projects.

Similar to the role of the Project Selection Committee for the CMAQ and TAP programs, an appropriately designed Freight Committee could play a significant role in the project selection process for a new Metropolitan Chicago Freight Fund. While the ultimate funding decisions would remain with CMAP's two governing bodies, the Board and MPO Policy Committee, the Freight Committee could assist and review the staff analysis of proposed projects and make recommendations.

To manage the Metropolitan Chicago Freight Fund, CMAP could require that eligible projects be directly identified in the freight element of the regional plan. Other priorities could include projects located on specific freight corridors identified in the plan (e.g., National Highway System routes, Strategic Regional Arterials, and intermodal connectors) or projects that consist of particular work types identified in the plan (e.g., geometric improvements, arterial improvements, resurfacing, grade separations, etc.). CMAP could allow or encourage the Metropolitan Chicago Freight Fund to be used for operational improvements (e.g., off-hours delivery incentive programs).

The Metropolitan Chicago Freight Fund would be required to meet performance-based requirements. Combined with the restricted work types and facilities, these requirements will ensure that freight funds support goods movement activities and are not be diverted to other purposes.

Evaluation of Scenario

The revised scenario directly addresses the three main challenges identified by the Task Force in its deliberations to date:

- <u>Too little funding</u>. The scenario raises new revenues for transportation investment in the region and for the first time dedicates revenue streams to freight improvements.
- <u>Too little coordination among jurisdictions</u>. The scenario provides a planning and funding framework to help sort out jurisdictional conflicts. It does not create new units of government.
- Too little prioritization of freight. The development of a freight element of the regional transportation plan helps to clarify goals and objectives for all providers of the transportation system. The scenario develops dedicated funding streams for freight, and suggests restricting the eligible work types for these funds to maintain a logical nexus to freight improvements.
- <u>Too little recognition for regions in national freight policy</u>. The development and implementation of robust freight planning will raise the Chicago area's profile on the national stage and serve as a model for other metropolitan regions.

The illustrative scenario is also consistent with the seven principles outlined in Agenda Item No. 4.0:

- Robust freight planning. This scenario would call on CMAP to lead a collaborative regional planning effort. The freight element of the regional plan should be multimodal in nature, list specific projects, include a financial plan, and focus on capital and operational improvements, as well as policy issues.
- <u>User-pays principle</u>. The scenario offers a menu of existing and new user fees. It also draws a distinction between user fees that can be raised from the freight system more generally and those that are directly generated from a specific facility.
- <u>Performance-based programming</u>. This scenario would require revenues from the Metropolitan Chicago Freight Funds to be programmed using performance-based criteria. Projects would need to be consistent with the freight element of the regional plan, and perhaps restricted to certain work types or facilities most relevant to goods movement.
- <u>Project delivery</u>. This scenario would rely on existing implementing agencies to plan, construct, operate, and maintain transportation facilities.
- <u>Sustained, focused advocacy</u>. By creating a thorough, comprehensive freight element of the regional plan and dedicating revenues to implementing it, this scenario would result in an enhanced freight focus among all stakeholders.
- <u>Capability and accountability in programming</u>. This scenario would establish a new Metropolitan Chicago Freight Fund that would be used to support projects identified in the freight element of the regional plan.
- <u>Encourage private capital to participate</u>. This scenario invites the participation of freight stakeholders, including the private sector, both in the development of the freight element of the regional plan and in the project selection process from the Metropolitan Chicago Freight Fund.